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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE NOVEMBER 1988

CLIFF SAYRE

1988 NITL Man of the Year

LOGISTICS CAREERS: A VISION OF THE FUTURE

MULTIMODAL JIT

RAIL EQUIPMENT INNOVATIONS

NOVEMBER 1988

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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

VOL. 87, NO. 11

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LOGISTICS CAREERS: A VIEW OF THE FUTURE

This year's CLM career patterns survey finds logistics maturing as a discipline and becoming a more established part of the corporate framework. Yet it remains change-oriented.

By James M. Masters, Associate Professor, and Bernard J. LaLonde, Mason Professor of Transportation & Logistics, Ohio State University

For the last 17 years, the Logistics Research Group at the Ohio State University has conducted an annual survey of the career patterns of senior logistics executives in major U.S. companies.

The purpose of this work is to establish baseline information about the status of the field of logistics as a profession; to gain an understanding of how the logistics function is integrated into the organizational structure of the firm; and to determine the specific responsibilities of the logistics executive in the typical firm. Recently, the survey has been broadened to gather logistics executives' attitudes and opinions about future trends in logistics practice.

Specifically, this year's survey sought to answer these questions:

- What is the demographic profile of the successful logistics executive?
- How are logistics functions structured, organized, and managed within the successful firm?
- What significant changes to traditional logistics practice are on the horizon, and how will the successful firm deal with them?

DEMOGRAPHICS

Respondents range in age from the mid-20s to the mid-60s. The typical survey respondent is 44 years old. Our average logistics executive has been in his or her current position for four years, has been with the company for 11 years, and has worked in logistics for 17 years. This pattern is repeated at all levels of responsibility from manager through vice president. These data point to the professional nature of the logistics career. An executive position in logistics is seldom a short-term, lateral career move for an individual whose expertise is in another area. Rather, the typical logistics executive has an extensive background in logistics and has worked his or her way up to a position of authority.

Respondents were also asked to identify topics they would study further if they could return to school for three months. The results, shown in Figure 1, are similar to those reported in recent years. *Finance* and *Computers* once again were dominant responses. It is worth noting that, in contrast to these technical subjects, *Leadership* was also high on the list. This area includes executives who want to polish skills in

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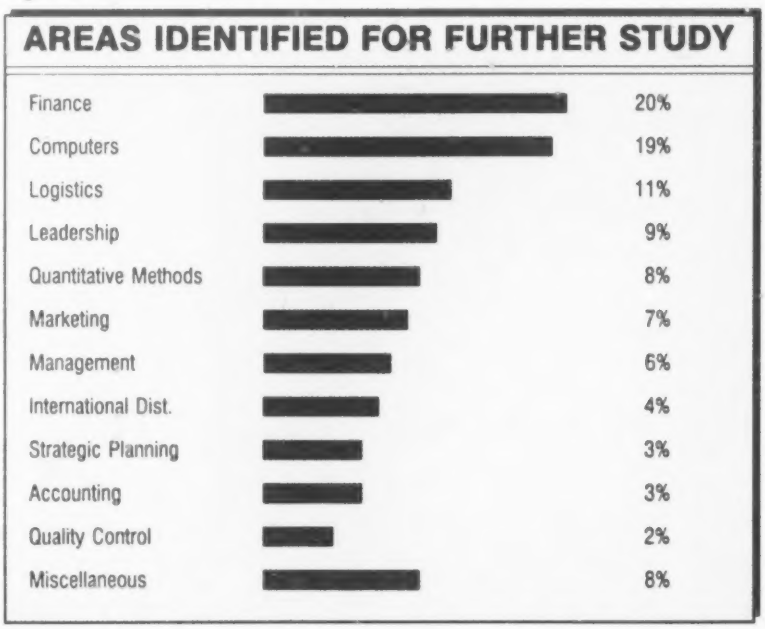
Figure 1



communication, presentation, motivation and negotiation.

Executives were asked to report their total annual cash compensation, including bonus. These results are portrayed in Figure 2 by job title. The statistics reported are median values for the highest third, middle third, and lowest third of each job category. Statistical analyses were performed to determine which factors might help to "predict" a respondent's salary level. Age, years in the position, etc., show no statistically significant relationship to compensation. Level of responsibility, as measured by the job titles of manager-director-vice-president, is the single most important predictor of compensation. The executive's budget responsibility and the firm's sales volume also correlate positively with compensation and help to predict the executive's salary level. A comparison of this year's compensation data to the figures reported in prior year studies is shown in Figure 3. Data from 1986 are not included because the sample of executives studied in that year was not comparable.

Figure 2

LOGISTICS EXECUTIVE COMPENSATION (median salary plus bonus)

JOB TITLE	HIGHEST THIRD	MIDDLE THIRD	LOWEST THIRD	ANNUAL RAISE
Manager	$ 80,000	$ 57,000	$41,000	6%
Director	95,000	75,000	60,000	7%
Vice President	177,000	122,000	85,000	8%

Figure 3

HISTORICAL COMPENSATION COMPARISON

Year	Manager	Director	Vice-President
1988	$57,000	$75,000	$122,000
1987	60,000	74,500	107,400
1986	–	–	–
1985	55,500	72,400	106,400
1984	54,800	70,800	93,900
1983	49,300	58,500	85,600
1982	48,000	59,200	82,200

Figure 4

LOCATION OF THE LOGISTICS FUNCTION IN THE ORGANIZATION

Department	Respondent	Superior	Next Higher Superior
Logistics	50%	18%	5%
Operations	16%	24%	7%
Corporate	10%	24%	56%
Division	10%	17%	20%
Marketing	4%	5%	2%
Production	3%	6%	5%
Other	7%	7%	4%

ORGANIZATION

Twenty percent of the respondents report that a logistics department exists in each division of the firm; 28 percent say that the logistics organization is a centralized staff. The dominant response, however, is that logistics functions are split; some are performed by divisional departments and some are performed by a central staff. This is the case in 41 percent of the firms.

In 50 percent of all cases, the survey respondent is assigned to a department or section which is named *Logistics* or *Distribution* (Figure 4). Sixteen percent work in an *Operations* department, and 10 percent are attached to a product division. Also shown here is that in 24 percent of all cases, the respondent's superior is assigned to an *Operations* department. In 56 percent of all cases, the respondent's next higher superior (the respondent's superior's superior) is located at the corporate level. Many variations of hierarchical structure were reported within this simple framework.

Respondents were asked whether they have direct responsibility and control over logistics decisions or whether their role is primarily advisory. Fifty-six percent replied that their job involves direct responsibility, while only five percent see their role as purely advisory. The remaining 39 percent report that the job includes direct responsibility over some logistics functions and advisory responsibility in others.

Forty-two percent of our respondents have manager titles, 34 percent are directors and 24 percent are vice presidents within their companies. In 55 percent of all cases, the respondent's next higher superior is the president or chairman.

In an attempt to gauge the maturity of the logistics organization, we

continued

asked in what year the firm first appointed a senior executive-level manager with a formal job title and responsibility in the distribution or logistics area. Since 1980, firms have established such a position at a rate of about seven percent per year. Twenty-eight percent report that their firm has not yet done so.

In an attempt to measure the scope of the logistics function, each respondent was presented with a list of traditional logistics activities (see Figure 5) and was asked to specify if the activity is considered to be a logistics function by the firm, if the respondent has direct responsibility over the activity, and how much time the respondent spends engaged in the activity. As the table shows, traditional logistics functions such as traffic management and warehousing are almost universally viewed as part of the logistics domain. On the other hand, only 36 percent of these logistics executives work on product planning, and only 30 percent are involved in demand forecasting. General management tasks, such as supervision and administration, consume 24 percent of most executives' work day, and fully 87 percent of the executives have other specialized duties that claim 25 percent of their time.

Survey respondents were asked to specify their total logistics budget responsibility, including both payroll and services. The average figure reported was $38 million, but these budgets vary greatly; 17 percent report budgets under $2 million, while another 17 percent control budgets in the range of $60 million to $600 million.

Figure 5

DIMENSIONS OF THE LOGISTICS FUNCTION

Dimension	Logistics Activity	Direct Responsibility	Time Spent
Traffic Management	98%	85%	17%
Warehousing	97%	83%	17%
Inventory Management	85%	70%	14%
International Distribution	77%	75%	9%
Plant & Warehouse	71%	67%	9%
Order Entry	68%	62%	11%
Packaging	56%	42%	5%
Procurement	52%	51%	9%
Product Planning	36%	31%	5%
Sales Forecasting	30%	31%	5%
General Management	82%	84%	24%
Other	87%	100%	25%

Figure 6

FACTORS WHICH WILL INFLUENCE THE DEVELOPMENT OF THE LOGISTICS FUNCTION IN THE NEXT DECADE

Factor	Response
Customer Service	15%
Cost Control	15%
EDI & Information Technology	9%
MIS & Computers	9%
Corporate Growth	8%
Management Recognition	6%
Inventory; JIT, DRP, MRP	6%
Management Performance	5%
Global Sourcing & Marketing	5%
Logistics Integration & Consol.	5%
Regulation	2%
All Others	14%

A VIEW OF THE FUTURE

How do logistics executives see the future of their industry shaping up? The survey first asked respondents to identify two major factors which would influence the growth of the corporate logistics function in the next decade. The answers to this question are summarized in Figure 6. Customer service is identified as a factor in 15 percent of the responses, while another 15 percent cite cost control. *Management Recognition* represents a group of respondents who feel that the future growth of the logistics function in their firm will depend upon their success in convincing senior management of the value of adopting an integrated approach to the management and control of logistics activities.

Management Performance represents a group of respondents who believe that growth of their corporate logistics function will be determined by their ability to demonstrate results in terms of cost, service and profitability. *Logistics Integration and Consolidation* is a category which includes respondents who feel that their logistics functions must be more tightly integrated with other functions such as marketing and production, or that logistics must incorporate "new" activities such as pur-

continued

chasing into its area of responsibility, or that growth will be determined by the ability to mesh with and absorb the logistics functions entering the firm through acquisition and merger.

Executives were then asked to estimate how their 1989 logistics budget would compare with their 1988 actual costs (Figure 7). The average estimate for total logistics costs is five percent growth over 1988 costs. Individual cost categories range from a 1.8 percent increase for rail costs to a 6.6 percent increase in public warehousing costs.

Finally, executives were asked to predict how the company's logistics practices would change from 1988 to 1990 to 1995 (Figure 8). Executives expect to see growth in the volume of raw materials acquired overseas. They expect to see more than twice as much inbound product flow under just-in-time (JIT) scheduling by 1995. Executives expect to see dramatic increases in inventory productivity, with inventory turns at centralized facilities climbing from eight times per year in 1988 to 12 times per year in 1995. Most executives say they will reduce the total number of carriers they use, with the average expected to fall from 30 in 1988 to 20 in 1995. Another trend is a shortening of order cycle times, with the mean expected to fall from 96 hours to 72 hours by 1995. Since transit times are not expected to be reduced, we can infer that the improvement in order cycle time will come from improved internal communications and information processing and not through improvements in the transportation process. The figures imply that the information processing and order handling segment of order cycle time will be cut in half by 1995.

Figure 7

A LOGISTICS BUDGET FORECAST FOR 1989

COST CATEGORY	PERCENTAGE CHANGE
Rail	1.8%
Motor LTL	5.7
Motor TL	4.9
Private Fleet	4.2
Private Warehouse	5.7
Public Warehouse	6.6
Fuel (Gasoline)	4.1
Fuel (Diesel)	4.9
Inventory Carrying Cost	2.0
Total Logistics	**5.0**

Figure 8

PROJECTED CHANGES IN LOGISTICS PRACTICE

Activity	1988	1990	1995
Raw materials sourced from off-shore suppliers (%)	14	20	17
Inbound product that is scheduled just-in-time (%)	18	45	31
Annual inventory turnover at central warehouse	8	12	10
Total number of transportation carriers used	30	20	20
Target order cycle time (hrs.)	96	72	96
Target transit time (hrs.)	48	48	48

CONCLUSIONS/IMPLICATIONS

Our findings and analysis lead us to three major conclusions:

1. Logistics is maturing as a professional discipline. Logistics executives are specialists who practice in a field where specialized knowledge and experience are essential to success. A collegiate business education has become a *de facto* entrance norm, and increasing numbers of executives with collegiate logistics education are becoming prominent in the field. Executives are rising to high positions in the corporate structure by following a logistics career path.

2. The logistics function is becoming structurally stable. Most firms have established logistics organizations which are recognized and accepted parts of the corporate structure. Budget authority and line responsibility have been established. Major concerns now include cost control, service performance and corporate growth. Technological innovations in logistics are anticipated and welcomed, but the logistics executive expects to cope with the future within the current organizational structure.

3. Logistics remains a change-oriented activity. The development and implementation of the logistics concept was a dramatic change for most firms. If logistics was at first a revolutionary concept, that revolution is now over; logistics has become part of the establishment. Nevertheless, executives are keenly aware of coming changes to logistics practice such as EDI, DRP, JIT and many other technological and managerial innovations. The question seems to be whether the logistics structures we have built can successfully adapt to and incorporate these innovations. The challenge to the senior logistics executive is to make it happen. ■

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